

**MINUTES OF SPECIAL MEETING
OPEN SESSION
November 6, 2009
ILLINOIS GAMING BOARD
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

On Friday, November 6, 2009 a Special Meeting of the Illinois Gaming Board ("Board") was held on the 3rd floor at 160 N. LaSalle, Chicago, Illinois.

On Friday November 6, 2009 at approximately 10:00 a.m. the following Board Members were present: Chairman Jaffe, Members Charles Gardner, Eugene Winkler, and Joseph Moore. Board Member James Sullivan did not attend. At 10:10 a.m. on Friday October 16, 2009, Member Gardner called the meeting to order. Pursuant to Section 2(c), paragraphs (1) and (14) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, Member Gardner moved that **the Board retire to Closed Session to discuss the items listed under Closed Session on today's agenda and relating to the following subject matters:**

- 1. Personnel matters; and**
- 2. Investigations concerning applicants and licensees.**

Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote. The Board remained in closed session until approximately 10:20 a.m. The Board went into open session at 10:30 a.m.

CHAIRMAN'S REPORT/COMMENTS –

Kathy Gilroy -

Good morning, Chairman Jaffe, members of the Board, and staff. My name is Kathy Gilroy. I am speaking today as a member of the public. I have many concerns about neighborhood or convenience gambling. But, I will limit my remarks to concerns that can be addressed by rules. I sympathize with your organization for the onerous job of regulating this whole new industry that our state has dumped in your laps. And, it is because you do not have proper funding or staff nor the freedom to ignore other duties that I hope hearing my concerns will be of benefit to you.

My first concern is simply the use of the word "gaming". When I searched for the word "gaming" on the TribLocal website, I found six stories about National Gaming Day at local libraries for grades 6 through 12. Please don't accidentally make kids' video games illegal. The activity being discussed here today, and in the rules, is GAMBLING.

My next concern is whether establishments that have liquor-sampling events are eligible for gambling machines. This needs to be addressed in the rules. Otherwise, there could be video gambling machines in grocery stores. I don't think that was the intent of the legislature. But, that could easily be the result if the rules are not specific on this issue.

Next is my concern about the hours that these gambling machines would be allowed to operate. The legislature considered a bill that would allow truck stops to operate video gambling machines 24 hours a day, seven days a week. Casinos are limited in how many hours they can operate, and truck stops should be as well. Several years ago, the legislature tried to take away your authority to regulate gambling. You fought them and won. Please don't let them over-rule you on this issue. Also, will other businesses with gambling machines want to "level the playing field" with truck-stops if they are allowed longer ours? This might be an issue down-state where there are other liquor-pouring establishments in towns that have truck-stops. I'm also concerned that we will suddenly have many more truck-stops in Illinois unless the definition is very clear.

Next, I agree with you, Member Gardner, that third-party checks should not be cashed at all. Otherwise, there is no way for a cashier to determine what the funds will be used for. By not cashing third-arty checks at all, you will eliminate the possibility of a third-party check being cashed solely to gamble.

Next, I would like to request that signs with the 1-800-GAMBLER number be required in each establishment just as they are at any other gambling establishment, and the statement with the Hotline number be required in all advertising as well.

Next, newspaper articles have reported that machine operators are making sales calls on liquor-pouring establishments already, attempting to sign contracts with business owners for video gambling machines. Being in the insurance industry myself, I know that even someone who is only soliciting for insurance business needs to be licensed, not just the sales-person. Shouldn't the requirements be just as steep, if not steeper, for the gambling business? And if that is true, shouldn't some of these machine operators be already unfit to be licensed and subject to fines or penalties because they are soliciting without a license?

Next, I think there should be mention of "good" funds in your discussion of license fees. What happens if a check for a license bounces?

My final concern is the access that both those on the Self-Exclusion Program and children will have to these gambling machines. Gambling machines are available that require an ID be inserted in order to operate. There are also gambling machines that have a camera and can recognize someone who is on the Self-Exclusion Program. I've been told that these machines are too expensive. Yet, there was someone at the last gaming Board meeting who was anxious to finance gambling machines at a time when other businesses cannot obtain financing at all. Let operators pay extra for protection for children and those who are addicted. That's not too much to ask. I've been told that new pictures would be needed to be taken. Well, I'm required to get a new picture taken for my driver's license. They won't let me re-use my old picture. If you make something a requirement, guess what, people will do it. And, how will you keep children away from these gambling machines? Underage youth get in casinos despite all their cameras and police and security. Will you require someone to check IDs at a restaurant? How will the machines be separated from areas available to children? Will children be able to hear them? Will children be able to see them? This is my biggest concern of all. Children will be introduced to gambling at the local restaurant or truck-stop. They will desire to do what they have never seen before, but now see others doing. They will desire to start gambling. How sad!

You have a huge, and thankless, task ahead of you and will surely be criticized for making the rules too strict. But, that's your job, and you can do it. Thank you for allowing me to speak, and thank you in advance for considering my concerns in your discussions and rule-making. May God guide you in your decisions.

Anita Bedell – Executive Director Illinois Church Action on Alcohol & Addiction Problems

Thank you for the opportunity to speak and share concerns and suggestions on the partial, emergency rules for the Video Gaming Act. The Illinois General Assembly handed this poorly written and confusing Video Gaming Act to the Illinois Gaming Board. The Legislature did not fix the problems in the Veto Session as promised. Instead, they tried to limit the time municipalities and counties could opt out and legalize 24 hour gambling at truck stops, even though the IGB rejected 24 hour gambling three times. Whether it was done by accident or design, the Video Gaming Act is full of loopholes. Now you are the ones who have the responsibility to clarify the Act, through the rule making process, to make sure that illegal video gambling does not continue.

Let me begin by addressing the definition of the video gaming terminal in Section 188.110 Definitions,

The definition is confusing. The Term does not include a machine that directly dispenses coins, cash or tokens or is for amusement purposes only. While the intent is to exclude pin ball machines and other games typically played in bars, the definition needs more clarification. Would video poker played for amusement only still be allowed in VFWs and bars as long as the machines are not licensed or located in licensed facilities? How will this be handled? One such business currently operates 13 video gambling machines and depends on the illegal gambling to keep their establishment operating. Could they just continue their illegal gambling operation by purchasing a \$35 a year tax sticker for amusement only machines? You were given the statutory authority to regulate the machines and the establishments. The Legislative intent was to end illegal video gambling in Illinois. The Department of Revenue has continued to issue tax stickers for amusement only video machines after the annual stickers expired on July 31. If you do not deal with this issue in a clearly written rule, illegal video gambling machines will not be eliminated.

The definition of Illinois resident stated an individual who maintains a bona fide full time primary place of abode in this state, and does not claim to be a resident of any other state for any purpose whatsoever. How are you going to thoroughly investigate every individual to make sure they are not setting up a temporary residence to win approval for a license.

With respect to a partnership, a partnership in which any partner is an Illinois resident or where the partnership has an office and is doing business in Illinois. It seems there will be out of state companies partnering with Illinois residents and/or companies so they can get a piece of the action and a cut in the new video gambling market. These outsiders will prey on Illinois resident.

Section 1800.220 Continuing Duty to Report Violations

Requires licensees to report each arrest, summons, citation or charge for any criminal offense or violation, excluding motor traffic violations. There have been problems with the 9 casino licensees not reporting criminal charges of employees. This problem will increase when the IGB is asked to license thousands of applicants at numerous locations throughout the entire State. How can this rule be implemented and what are the consequences/incentives for licensees to abide by the law?

Requires licensees to report any adverse action taken or nonrenewal relative to a liquor license. If a liquor license is not renewed, will you take away the video gaming license and have the machines removed? A few years ago when illegal gambling machines were removed from bars in Cook County, the liquor license was still renewed and the bars remained open.

Sheriff Tom Dart suggested legislation (HB3757) that provides that the Illinois Liquor Control Commission shall have the duty and power of suspending or revoking all licenses for licensee's conviction for a gambling offense. It further provides that the State Liquor Control Commission may not delegate this responsibility to any local liquor commission.

Section 1800.250 Duties of Licensed Terminal Operators

Can a gambler sue the licensed terminal operator for damages?

General Counsel Fries commented on the above and stated that would be out of the IGB's hands that would be handled on the owner's responsibility.

The operator must promptly notify the board of electronic or mechanical malfunctions or problems. If there are no IGB agents on the premises how will this be handled? Offer or provide nothing of value to any licensed video gaming location or any agent or representative. We have heard that companies are already contacting restaurants and bars. How will you know if deals have already been cut? Do you have the staff to properly monitor these operations?

How will the IGB monitor advertising and promotional activities at thousands of locations throughout the State?

Video gaming terminals must be removed if they have been inoperable for more than 3 days. What happens to these machines? Do you have enough staff to monitor all of the machines statewide in thousands of establishments to make sure no one is tampering with the machines? Will IGB staff be present when the machines are repaired or installed?

How will the IGB know if the machine is moved? How many inspectors work for the IGB and how often will the inspectors conduct compliance checks?

Section 1800.260 Duties of Licensed Technicians

Promptly notify the Board of any unauthorized or illegal video gaming location or terminal in violation of Section 35. What is the penalty if the technician does not notify the IGB? How will the technician know if the amusement only devices are paying out illegally?

Section 1800.270 Duties of Licensed Video Gaming Locations

Prevent access to or play of video gaming terminals by persons who are under the age of 21 years or who are visibly intoxicated. Will you require carding to identify underage customers? Many people who are .08 BAC are not visibly intoxicated. Some alcoholics can drink everyone under the table and do not appear to be visibly intoxicated. Does a person have to be falling down drunk before someone will stop him/her from gambling? Will employees use a breathalyzer to make sure gamblers are not over the limit of .08 or limit the number of drinks to gamblers? What happens if a person becomes belligerent when an employee tries to prevent them from entering the designated area to gamble? What safeguards will you put in place to safeguard customers, employees and the public?

The provision about liquor licenses needs to include a rule stating that establishments cannot give FREE alcohol or reduced drink specials to people who are gambling on the machines. Will the Dram Shop law apply to people who lose all of their money gambling while drunk? Bottle service is legal in Illinois – selling a whole bottle of distilled spirits to a table or group of 2 or more people. The rule needs to be tightened to exempt licensed video gambling establishments from offering bottle service to prevent people from losing all of their money at the machines.

Chairman Jaffe asked if material can be forwarded to the Board due to time restraints.

Ms. Bedell commented on the Veto session, Ms. Bedell stated that the clean up bills are still not right. Representative Lang introduced a bill and he didn't have a copy of the bill and the bill was passed within an hour. Ms. Bedell asked how can this happen. You were given no additional funding and yet you are required to just do the job at hand.

Member Gardner commented that “we intend to get it right”, and the General Counsel stated that the IGB received the appropriations that were asked for in the FY “10”.

Commissioner Bridget Gainer – Commissioner, 10th District - Cook County Board of Commissioners

Good Morning Chairman Jaffe, members of the Board and staff.

Thank you for the opportunity to speak with you again. Since your meeting in May, Cook County as well as many other cities, towns and counties have gone on to ban video poker. While we obviously hope the trend of local bans continue, the actions in Springfield over the veto session show that the legislature is still committed to gambling expansion, regardless of the cost to communities.

So while I still believe putting gambling in neighborhood bars and restaurants is an idea we will come to regret, I do respect the purpose of this forum and will thus comment on current weaknesses and opportunities for strengthening the emergency rules.

The over-riding deficiency of the video gambling bill is that it creates winners and losers defined by who bears the risk and who accrues the reward. As we have seen with the mortgage crisis and lending scandals of the last year – when you separate the risk from the reward the results are both predictable and disastrous. In this case, the various licensees are set up to receive the reward and

local governments, communities and individuals will bear the risk and pay the negative costs that *always* follow the introduction of community based gambling.

I would like to refer to sections 1800.240 through 270, with special attention on subsection 270. Herein listed are the duties of the various profit-making entities – manufacturer, distributor, terminal operator, technician and location.

One of our main concerns, that this Board clearly shares, is the enforceability of a practice that occurs in 15,000 locations throughout the state. When you read the duties of a Video Gambling Location, you see clearly that not only are many of these duties totally unenforceable short of wiring every establishment for close circuit or hiring a not small army of investigators, but they are really only actionable in arrears – after the damage has taken place. I would note specifically 1800.270 items b, c, d, i, l and m for special note: preventing play by minors, banning the accepting of credit or kickbacks from terminal operators, banning the cashing of paychecks – a common practice in taverns – if it is for gambling. Substitute “drinking” and these are all areas in which we fail consistently. The difference is that there is a well developed set of laws and penalties in dram shop and no such thing here. There is great precedent for the ramifications of over serving to excess – but there is no such thing to letting someone gamble to excess.

However, item “s” in that same list offers a potential solution. “Maintain insurance coverage on all gaming devices in an amount set by the Board”. So while the Board cannot give someone a legal cause of action, the Board can require protections via the licensing process. Requiring a bond to be put up by the location for a substantial amount - *as a condition of receiving a license* - would allow the collection of damages, fines or penalties for violating any of the above mentioned items. It would also put some teeth into the fairly vague and subjective clauses referenced in sections 1800.780 or the various references to maintaining the integrity of the gaming industry.

For example, when a construction contractor bids a project – public or private – they are required to purchase a surety – or performance - bond. This allows the owner to collect, without protracted legal action, if the contractor proves to be deficient. Like construction, issuing someone a license is a decision we only know was a good one after they operate. Recoverable actions could include reimbursement to local governments for excessive law enforcement activity, fines for access to the slot machines by minors and predatory gambling behavior.

While there are many hoops to go through in licensing, the Board cannot possibly know who will be loose with minors, or over serve gamblers or act in a predatory way. We’ll know which establishments let people gamble their whole paycheck when calls come in after the fact. But there must be an iron-clad and recoverable penalty if such behavior is found, especially in the absence of a developed body of law. And if the licensee knows in advance that there is a proscribed method of recovering damages, there will be no claims of inability to pay after the fact.

Every step along the profit side of this equation – manufacturing, distribution, terminal operators and the locations know how they will get paid. They have contracts and their share of the pie is clearly delineated. No such protection exists for the local communities or individuals. The 5%

revenue share does not even begin to address the unfunded mandate that will be created by 45,000 slot machines in our local communities.

This Board has broad powers of discretion and I would encourage you to use them to protect the children, families, local communities and taxpayers of this state.

Chairman Jaffe commented on the fact that all of the speakers thus far have commented on how big our job is. The Chairman stated that the IGB knows the task at hand and we will address each issue. Many have commented on the amount of illegal gambling machines in businesses. The Chairman went on to say that no one seems to address the issue. The IGB will not be able to travel this entire state and investigate every location. The general public needs to report these locations to their local law enforcement and have them investigate these locations.

Roy Corrie -

Thank you Chairman Jaffe and Members of the Board

I went through the Rules and came across a couple words.

Adopted: as in, "Adopted Rules"

Definition of Adopted:

To take up an idea or a plan

Amendment:

Formal proposal to change the language of a bill or resolution after it has been introduced.

I believe that the Board's hands are not tied, and that you have the power to change the law for the betterment of the people of Illinois.

1. At my meeting with the Board's counsel, they told me that the Board's hands are tied and that I would have to change the law.

They said to talk to Senator Cullerton, and his people sent me to representative Lou Lang.

I met with Lou Lang and he loved my idea, he said that the Board's hands were not tied and that the Board could change things in the law and Rules.

I talked with Robert Molaro and he said my plan is great.

2. Note to counsel, no where in the law, did I see that a manufacturer or company can't be awarded a contract or a pilot program.

3. I have given the Board and the press a copy of the Rules that I have re-done, also a copy of the law HB0255 article 5 that I have re-done.

4. I have also given the Board and the press a copy of the savings for the people of Illinois, estimated at over \$4,300,000,000 over the next five years.

Gentlemen I would like another meeting with the Board's counsel and have them show me why my way will not work.

Can the Board send a copy of my rules and law to the General Assembly for changes along with the out dated law that the Board is working with now.

Board Members do the right thing for all the people of Illinois. Thank you.

Mike Belletire -

Good morning and thank you for the opportunity to address you today. My name is Mike Belletire. From early 1995 until April of 1999 I served as the Administrator for the Gaming Board.

I am here today, in part, because I can't help but see things the way a regulator sees them. Another part of me feels a special responsibility to support the work of an agency and a staff that I helped to shape. Though my intentions are noble, I would be remiss, if I did not also advise you that I have been retained as a consultant by an individual who is exploring the potential of becoming what the new Act calls a Terminal Operator. So, in that light, I come with more than a past regulator's perspective.

You have an immense challenge before you. The introduction of video gambling machines across the state is a dramatic shift in public policy for Illinois. All of us must recognize that IGB is not the proponent of this public policy change, but rather the agency charged with implementing a properly controlled system of gambling activity. My remarks are directed toward the challenges of implementation, not the wisdom of the public policy change.

My comments today and the more extensive written text that I will be submitting can be summarized around the following five points:

1) Be judicious and deliberative in the rule-making process. Take time to think through and discuss the kinds of operating issues you are likely to face in future years. Craft not only rules but a policy framework that will guide this Board, future Boards and the industry being regulated.

2) Understand and acknowledge the significant differences between the casino environment and gaming conducted in thousands of locations across the state on a small scale. Recognize your own enforcement and control limitations. Look for ways to shape rules that target the right controls points, the right types of controls and the proper intensity of control applicable to this new form of gaming activity.

- 3) The industry you will be regulating has a history in Illinois. Establish a policy framework that reflects how that history will bear upon your licensing decisions. Make your expectations clear and direct staff accordingly.
- 4) You will be regulating video gaming terminal locations that are already being regulated by another state agency, the Illinois Liquor Control Commission. Give careful thought to the ways IGB and ILCC can coordinate their regulatory efforts.
- 5) The widespread availability of gambling devices is going to create social problems. There are only a limited number of things IGB can or should be expected to do in addressing these problems. To paraphrase Reinhold Niebuhr, “ask for the serenity to accept the things you cannot change, the strength to change the things you can change and the wisdom to know the difference”.

Shaping the Regulatory Framework

The comprehensive regulatory framework developed by Illinois and other casino states is designed largely around two basic principles: 1) follow the money to prevent either the state or the gambler from being cheated; and 2) prevent disreputable figures from being able to control or influence gambling or from being able to extract illicit gains from gambling activity.

These same principles seem to me to apply to video gaming activity; however, the points, the types and the intensity of controls should arguably be different than is the case for casino regulation.

Terminal Locations – The thousands of terminal locations that you will license should not be looked at as “mini-casinos.” A given VGT location derives its existence from a principal business other than gambling. Employees or owners of a terminal location will not be handling a drop or a count. Selecting the right “central communications system,” and approving only fully tested VGT devices should assure you the ability to prevent the owners or employees of terminal locations from tampering with licensed machines or influencing the outcome of games.

In some ways owners or employees of a terminal location are akin to lottery agents. Lottery agents share in the sale revenue (and the winnings) of the lottery. The more tickets a location sells, the higher the return to the establishment. The employees of lottery agents dispense cash in exchange for a winning ticket.

So long as the IGB rules reinforce the “non-involvement in gaming” of a licensed establishment, it seems reasonable for the regulatory framework to not view the owners or managers of terminal locations with the same investigative intensity as should apply to the owners and employees of casinos or entities supplying and servicing video gaming devices.

With regard to terminal operators, distributors and manufacturers created under the Act have functions that seem to closely approximate the role of suppliers, as that term is used by IGB. The level of IGB scrutiny should be on a par with that given to existing Suppliers licensed by the

Board. The investigatory process should be based upon the principles of: “following the money” and preventing disreputable figures from being involved in supplying gaming-related devices or sharing illicitly in the revenue.

In “following the money” your staff is likely to come upon problematic past relationships among the entities seeking licensure. It is important that you understand the history the history of the video device industry and establish policies that recognize and address this history of intermingled finances and ownership.

The capital requirements that terminal operators will face are going to be significant. The demands for capital will likely beget all sorts of financing schemes and sources. One practical step the Board can take to encourage straight forward financing in this industry is to adopt rules that will allow chartered and regulated banks the ability to accept a pledge of gaming devices as collateral to a standard business equipment loan. Past practice of the Board has been to require that ownership of gaming equipment only be transferred to a party regulated by the Board.

I would not recommend allowing this type of collateralization for other types of financial and lending entities, at least until the Board has evaluated its experience in working with regulated banks.

Regulatory Tools

There are two essential regulatory tools utilized in the controls of the casino operating environment: Internal Control Standards and security cameras. Neither of these tools has much utility in regulating video gambling.

What you can use to control the operating environment of distributive video gambling is the right technology and the proper testing and controls over the micro processor chips that are approved for use in Illinois. The Board and staff seem to be on the right track in securing the type of central communications system that will be robust and up to the task at hand.

Simply acquiring a robust system does not complete your work. There are a number of decisions that you will need to make regarding how that system operates, how that system is staffed and how the power of that system is applied in the regulatory process. My written text includes a number of questions I believe IGB should address as it shapes the operating environment for a new central communications system.

Industry History

IGB will be dealing in part with an “established” industry that has already been involved in the distribution and control of video gaming devices in Illinois. Before you are finalizing your rules I believe you need to take some time to research this existing industry and to establish a policy framework as to how the industry’s history will factor in the licensing process.

One of the arguments made to justify the legalization of video gaming terminals is that illegally operated or so-called “gray market” machines will be replaced with licensed, legal and fair

games. The written text I am submitting offers observations related to actions to consider in making certain that these illegal games are, in fact, eradicated.

If there is an “elephant in the corner” with regard to the history of “gray market games” it is this: how is the Board going to treat the licensure application of an entity or individuals in controls of an entity that have in the past engaged in directly supplying and promoting “gray market” games in Illinois establishments?

I am not certain what the policy should be on whether to license persons with no criminal convictions who have engaged in supplying and servicing video devices used for illegal gambling. I am certain that it is in the interests of the Board, the general public and the existing industry for the Board to be upfront about this issue.

The existing industry probably does not fully appreciate the way in which IGB investigations are conducted or the extent to which inconsistencies in information beget deeper investigation and eventually lead to discrepancies and concerns that must be reconciled.

The core of the background investigation process is and should always be applicant candor. In this regard, your investigators will undoubtedly be asking prospective terminal operators and distributors questions related to how the applicant has operated in Illinois in the past, who financed the applicant’s operations, and how the accounting of revenues from gaming devices was handled. The existing industry needs to know where you stand with regard to candor and how the lack of candor or the failure to provide full, true and correct information will influence the licensing process.

Be upfront with those you will regulate, with your investigative staff and with the public about what is acceptable and what is not acceptable as regards past conduct. Draft our rules and set your investigative protocols accordingly.

Coordinate State Level Licensure and Regulatory Efforts

The terminal locations (establishments) you will be regulating and those who own these locations are already subject to state licensure and regulation pursuant to the Liquor Control Act and the requirements of the Illinois Liquor Control Commission. As detailed in my extended written text, the things that I see as most important in IGB licensure and control over a terminal location are essentially the same things that apply to the licensure of a liquor establishment and the owners of the establishment.

Before you create the application form for a terminal location and before you finalize the depth of your investigative inquiries for terminal location owners, I believe IGB should consider building upon and coordinating your work with the ILCC. The time spent now will head off what could be bureaucratic over-reach; and worse, inconsistency across agencies as to the veracity of licensing information as well as inconsistency in the regulatory treatment of discrepancies and concerns.

Anticipating Future Problems

I mentioned at the beginning of my remarks trying to shape rulemaking by anticipating problems or issues before video gaming activity commences. In brief some of the items I want to bring to your attention deal with:

- the litany of things locations and terminal operators will try to do to induce gaming play and the approach you may want to take in limiting such practices.
- the potential for criminal activity associated with the movement of cash
- potential for irregularities in the operator-location reconciliation process.

In the interests of time I simply refer Board and staff to the written text I will submit that discusses my observations.

There is one “future problem” that I do want to comment on expressly – compulsive gambling. IGB has been in the forefront of promoting responsible gambling and doing what it can to discourage compulsive gamblers from entering Illinois casinos. As important as these past efforts are, IGB must recognize that the State of Illinois has made a major policy shift in its approach to gambling – a shift that will result in more compulsive gambling problems. In my view the Board cannot in the future do much to prevent the compulsive gambler from engaging in video gambling under the Act. In this regard you should not be trying to impose upon terminal operators or thousands of terminal locations obligations to police “self excluded” gamblers.

You may want to impose more modest requirements such as promoting a help line or making education and referral materials available. These requirements should be set into rule before video gaming commences. Finally, the Board should do all in its power to divert the debate over the public policy associated with the Act and concerns for an increase in problem gambling to the proper forums.

I leave you with a summary statement:

Be balanced in your approach, adopting neither the laissez faire framework some might advocate for, nor a rigid “one size fits all” framework. Anticipate the kinds of issues you are likely to face and deal upfront with those issues by shaping both a policy framework and permanent rules before you begin accepting applications.

Thank you for your attentiveness and your efforts to date.

Member Gardner asked if the SEP program came into affect under Mike Bellitere. Mr. Bellitere stated that the process was initiated but not put into affect until after his tenure.

Member Gardner commented that he was a little disappointed that Mr. Bellitere inferred that the present Board would not pursue the SEP program regarding VGTs.

Member Gardner asked Mr. Bellitere to comment on Ms. Gilroy's comment about cameras being in the VGTs to identify the gambler. Mr. Bellitere gave his thoughts regarding this issue.

Member Gardner asked how Mr. Bellitere felt about the minor issue in liquor establishments and Mr. Bellitere stated that you have a liquor commission who should be addressing this issue.

Mr. Bellitere commented to the Board on what a great job the Board and staff are doing and how well the IGB is respected across the nation.

General Counsel Fries stated that the licensees stand to lose their licenses if allowing underage drinking and gambling.

John Pastuovic, Director of Public Affairs, Chicago Crime Commission

The Illinois Gaming Board has done an exceptional job in regulating the casinos of the State of Illinois. Mr. Pastuovic stated that regulating the casinos is entirely different than the regulation of video gaming. He went on to comment that the VGTs may become the "wild west of gambling" for the State of Illinois.

Mr. Pastuovic stated that gambling addiction will be a great concern with the legalization of video gaming. There will be in excess of 45,000 VGTs across the State and law enforcement will not have the man power to handle this. The financial cost will be astronomical which cannot be addressed in the rulemaking process. Organized crime will be a definite concern. The Chicago Crime Commission is troubled that the SEP will be left hobbled – families may be left penniless because of the gambling addiction.

Paul T. Jenson, Shesky & Froelich Ltd.

My name is Paul Jenson, with the law firm of Shesky & Froelich. My comments today are focused exclusively on the Emergency Rules under the Video Gaming Act. On behalf of many prospective participants in this burgeoning industry, we thank the Board and its staff for releasing a partial set of the Rules prior to the time the Illinois legislature provided funding to you. Although I have several comments and questions with respect to the Rules, there is no question that the Rules are well drafted and succeed in providing a conceptual framework that will guide this massive industry in the future.

I intend to submit to your staff a mark-up of the Rules with some suggestions, minor corrections and general comments. However, today I would like to briefly highlight four of the issues.

1. Based on both comments made by Board members in open meetings and the actual content of the Rules, it is clear that the Board intends to regulate video gaming with the same tenacity it shows towards Illinois' casinos. For those of us involved in the casino industry, we know that the Board expects its licensees to know who they are doing business with and to conduct their own due diligence on prospective partners, vendors and other parties prior to any relationship becoming effective.

I believe the Rules hint at this same objective for the video gaming industry, but the Rules appear to be unclear on the level of diligence that must be conducted. Without a clear Rule as to the depth of a diligence investigation, terminal operators, for example, may not be able to obtain the necessary information from establishments to conduct a meaningful investigation. A liquor license holder is unlikely to divulge the personal information necessary for any real diligence to be done unless the Rules clearly require this information to be exchanged. A Rule setting forth a clear standard for all parties to see will not only make worthwhile investigations possible to accomplish, but will take the guesswork out of the process for people who are new to this industry.

As a side, with potentially thousands of new licensees in Illinois, it might be time for one of the companies who perform background checks to go public so I can buy their stock because their business is about to spike.

2. The Video Gaming Act specifically includes sole proprietorships, partnerships and corporations as types of entities that may be involved in the video gaming industry. The Act also includes a catch-all provision that imitates other types of entities may be used. In the proposed trailer bill recently considered by the Illinois legislature, the Act would have been expanded to specifically include limited liability companies, or LLCs. Even though the trailer bill has not yet been passed, I encourage the Board to adopt Rules that specifically allow LLCs to be used in Illinois' video gaming industry. If the Board is interested in the many advantages LLCs offer, I can provide that information.

3. The Rules indicate that terminal operators and establishments need to maintain an approved method of payout for valid receipt tickets. I encourage the Board to allow automated vault systems as an approved method of payment. These systems are similar to an ATM and will eliminate or limit human interaction with payouts, thereby increasing security for all involved. It is my understanding that these types of systems will be on display at the G2E show in Las Vegas in a couple of weeks and I encourage the Board and its staff to look at them.

4. Finally, putting aside any personal or political feelings that individuals have about the video gaming law in Illinois, all this Board and its staff can do is to regulate the industry to the best of your ability. All that the thousands of potential licensees who will participate in video gaming can do is adhere to the law and do our best to make Illinois an example for other states to follow. It is in all of our best interests to have a robust and successful video gaming industry, thereby, among other things, providing more tax dollars to the State and local communities.

In this regard, lenders will play a vital role in allowing the video gaming industry to exist and, hopefully, thrive in Illinois. Mike Belletire touched on this issue, but I believe it is important that our law provide lenders with a high degree of certainty that they will be able to deal with their collateral in a commercially reasonable manner if their borrowers default on loans. The Rules currently do not address any guidelines regarding lenders' rights with respect to their collateral. In order to have the greatest number of qualified lenders be willing to participate in this industry, they need to know that they can foreclose on their liens and resell the video gaming machines in a manner that does not unduly impede their ability to be repaid. I suggest that the

Board include Rules that clearly describe a lender's rights in Illinois, including in a foreclosure situation.

Thank you for the opportunity to address some of these issues.

Andy Shaw – Executive Director of the Better Government Association

Mr. Shaw commented that he has much confidence in the Board's actions. He believes that the Board will do all that is possible to make sure that video gaming proceeds the right way. He went on to state that the Emergency Rules are a good start. Mr. Shaw asked that above all please be sure that our children are well protected from the effects of VGTs. Mr. Shaw also agreed with Commissioner Gainer's suggestion that some type of bond up front be mandatory for all those who will be licensed for the purpose of the VGTs.

Mr. Shaw also suggested that some type of regulation be in affect referencing that anyone licensed with the VGTs be banned from making political contributions to lobbyists. He also went on to state that all lobbyists should be registered with the IGB. Mr. Shaw also stated that in the rule making process perhaps the IGB can incorporate all municipalities to exercise police powers for illegal activities pertaining to the operations of the VGTs.

At 10:20 a.m. Member Winkler motioned to adjourn while Member Gardner seconded the motion. All Members voted in favor of adjournment.

Respectfully submitted,

Mary C. Boruta
Secretary to the Administrator